

the convenience of handling their banking, insurance and securities activities at one location. More importantly, with the efficiencies that could be realized from increased competition among banks, insurance, and securities providers under this proposal, consumers could ultimately save an estimated \$18 billion annually.

Federal Reserve Chairman Alan Greenspan has stated that "Consumers of financial services are denied the lower prices, increased access and higher quality services that would accompany the increased competition associated with permitting banking companies to expand their activities."

This reduction in the cost of financial services, in turn, is a big win for the U.S. economy. Finally, this legislation is a win for America's international competitive position, as it will allow U.S. companies to compete more effectively with foreign firms for business around the world.

As the Federal Reserve Chairman stated, "We cannot afford to be complacent regarding the future of the U.S. banking industry. The issues are too important for the future growth of our economy and the welfare of our citizens."

This legislation is thirty years overdue Mr. Speaker, and I urge my colleagues not to delay its passage a day longer.

At this time, I would like to make a few clarifying remarks.

Included in Title VI of the bill before us are complex changes in the structure of the Federal Home Loan Bank (FHLBank) System. I believe these changes will enhance the ability of the System to help member institutions serve their communities, though there is enormous work yet to be done to implement these initiatives. Consequently, at the risk of redundancy, it is important to reiterate the view expressed in the Conference regarding related regulatory actions.

As noted in the Committee Report, the Conferees acknowledged and supported withdrawal of the Financial Management and Mission Achievement (FMMA) rule proposed earlier this year by the Federal Housing Finance Board (FHFB), the FHLBank System regulator. The FMMA would have made dramatic changes in such areas as mission, investments, liquidity, capital, access to advances and director/senior officer responsibilities. Because of serious concerns over the FMMA's impact on FHLBank earnings, its effect on safety and soundness and its legal basis, the proposal has been intensely controversial among the FHLBanks' membership, with over 20 national and state bank and thrift trade associations calling for a legislated delay on FMMA.

Many Conferees not only shared these concerns but also felt strongly that the FMMA should not be pursued while the FHLBank System is responding to the statutory changes in this bill. There was great sympathy for a moratorium blocking the FMMA, but prior to the matter coming to a vote, Chairman Morrison of the FHFB sent a letter to Chairmen GRAMM and LEACH agreeing to withdraw the proposal, which I want to make sure is part of the RECORD. He also promised to consult with the Banking Committees regarding the content of the capital rules and any rules dealing with investments or advances. The FHFB's commitment not to act precipitously in promulgating regulations in these areas creates the

proper framework for effective and timely implementation of the reforms that Congress is seeking to put in place.

The regulatory standstill to which the FHFB has committed should apply to any final rules or policies applicable to investments, and the FHFB should maintain the current \$9 billion ceiling on member mortgage asset pilot programs or similar activities. In the context of dramatic impending changes in the capital structure of the FHLBanks, I believe it is necessary for the FHFB to refrain from any effort otherwise to rearrange the FHLBanks' investment framework, liquidity structure and balance sheets.

Finally, Mr. Speaker I would like to note that it is my understanding that credit enhancement done through the underwriting and reinsurance of mortgage guaranty insurance after a loan has been closed are secondary market transactions included in the exemption for secondary market transactions in section 502(e)(1)(C) of the S. 900 Conference Report.

FEDERAL HOUSING FINANCE BOARD,  
Washington, DC, October 18, 1999.

Hon. PHIL GRAMM,  
Chairman, Committee on Banking, Housing,  
and Urban Affairs, Washington, DC.

Hon. JIM LEACH,  
Chairman, Committee on Banking and Financial Services, Washington, DC.

DEAR SENATOR GRAMM AND CONGRESSMAN LEACH: As you proceed to consider legislation to modernize the Federal Home Loan Bank System as part of the S. 900/H.R. 10 conference, I am aware that there is substantial concern regarding our proposed Financial Management and Mission Achievement regulation (FMMA). Unfortunately, this legitimate concern regarding a far-reaching regulatory initiative has resulted in a proposal for a statutory moratorium on our regulatory authority. Despite the best efforts of well-meaning advocates, such statutory language can only lead to serious ambiguity and potential litigation over the independent regulatory authority of the Finance Board.

Therefore, this letter is intended to give you and your colleagues on the Committee of Conference solid assurances about our intentions upon final enactment of the statute being drafted in conference. Upon such enactment, the Finance Board will: 1. Withdraw, forthwith, its proposed FMMA. 2. Proceed in accordance with the statutory instructions regarding regulations governing a risk-based capital system and a minimum leverage requirement for the Federal Home Loan Banks. 3. Take no action to promulgate proposed or final regulations limiting assets or advances beyond those currently in effect (except to the extent necessary to protect the safety and soundness of the Federal Home Loan Banks) until such time as the regulations described in number 2 have become final and the statutory period for submission of capital plans by the Banks has expired. 4. Consult with each of you and your colleagues on the Banking Committees of the House and the Senate, regarding the content of both the capital regulations and any regulations on the subjects described in number 3, prior to issuing them in proposed form.

I believe that these commitments cover the areas of concern which have lead to a proposal for moratorium legislation. You can rely on this commitment to achieve those legitimate ends sought by moratorium proponents without clouding the necessary regulatory authority of the Finance Board which could result from statutory language.

Thank you for your consideration.

Sincerely,

BRUCE A. MORRISON.

## PERSONAL EXPLANATION

### HON. BILL PASCRELL, JR.

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Tuesday, November 9, 1999

Mr. PASCRELL. Mr. Speaker, as is reflected in the CONGRESSIONAL RECORD, I was granted a leave of absence for Monday, November 8, 1999.

I would respectfully request that the CONGRESSIONAL RECORD reflect the way in which I would have voted had I been present. The votes are as follows: Rollcall Vote 574—H. Res. 94 On Motion to Suspend the Rules and Agree, Recognizing the generous contribution made by each living person who has donated a kidney to save a life; on rollcall vote 574, I would have voted "yes."

Rollcall Vote 575—H.R. 2904 On Motion to Suspend the Rules and Pass, as Amended, to Reauthorize Funding for the Office of Government Ethics; on rollcall vote 575, I would have voted "yes."

Rollcall Vote 576—H. Res. 344 On Motion to Suspend the Rules and Agree to Recognizing and Honoring Payne Stewart and Extending Condolences to his family and the families of those who died with him; on rollcall vote 576, I would have voted "yes."

HONORING JIM AND CATHY THOMPSON AND THE TOWN OF KILLINGWORTH FOR THE 1999 ROCKEFELLER CENTER CHRISTMAS TREE

### HON. ROSA L. DeLAURO

OF CONNECTICUT

IN THE HOUSE OF REPRESENTATIVES

Tuesday, November 9, 1999

Ms. DeLAURO. Mr. Speaker, I rise today to pay tribute to the Thompsons and other residents of Killingworth, Connecticut who will provide a 100 foot tall spruce tree that will serve as New York's Rockefeller Center Christmas tree. I am proud, as are the residents of Killingworth, of the special role our tree will play in the national celebration of the holiday season.

This amazing Norway Spruce tree currently stands along side the farmhouse of Jim and Cathy Thompson. When Henry Marquard planted this tree 100 years ago, he never could have imagined its ultimate fate. But now the Thompsons find themselves the proud "parents" of what is to be the tallest tree in Rockefeller Center history.

The tree was first spotted by helicopter last April and later selected by Rockefeller Center officials as the 1999 Christmas tree. Over the summer the huge tree was carefully maintained, despite a record-setting drought. The people of the small town of Killingworth also managed to maintain a huge secret. The public did not know that this tree would become the Rockefeller Center Christmas tree until this week. The secret broke when the state police began to guard the tree around the clock. It will soon be carefully cut down and transported to New York City's Rockefeller Center, where it will stand throughout the holiday season.

The Rockefeller Center Christmas tree is world-renowned. It has been capturing the

magic of the holiday season for generations. This year it carries a special significance as the tree that will usher in the new millennium. We in the Third District of Connecticut are especially proud that our tree was chosen for this special year. We are also proud of how the tree will be used after the holiday season. At the conclusion of its stately reign, the branches will be mulched for use at a camp in New Jersey, and its trunk will be cut into sections for use at the U.S. Equestrian Center, where the U.S. Olympic team will practice.

While the Thompsons, and the people of Killingworth, will surely be sad to see the tree leave home, they are undoubtedly thrilled that the world will see one of the many wonders of their small town. I rise today to acknowledge this once-in-a-lifetime event for the Thompsons and this great honor for the citizens of Killingworth.

CONFERRING STATUS AS AN HONORARY VETERAN OF THE UNITED STATES ARMED FORCES ON ZACHARY FISHER

SPEECH OF

**HON. CAROLYN B. MALONEY**

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, November 2, 1999*

Mrs. MALONEY of New York. Mr. Speaker, I rise today to pay special tribute to Zachary Fisher, a true American patriot. H.J. Res. 46 passed unanimously today, and I would like to thank Mr. Fisher's surviving family and his friends for their continued commitment to the men and women who put their lives on the line for our country. Without their support, this legislation would not have been possible.

First, I would like to thank Mrs. Elizabeth Fisher, his devoted wife who worked alongside Zach to help our service men and women; his brother, Larry Fisher; and his nephews, Anthony and Arnold Fisher who are carrying on his work. I would also like to thank his close friends, whose energies and expertise brought to life the many contributions Zach made—Mike Stern, a close and valued friend; Bill White, longtime Chief of Staff to Mr. Fisher and his dear friend Mary Asta.

PERSONAL EXPLANATION

**HON. JULIA CARSON**

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, November 9, 1999*

Ms. CARSON. Mr. Speaker, I was unavoidably absent Monday, November 8, 1999, and as a result, missed rollcall votes 574 through 576. Had I been present, I would have voted "yes" on rollcall vote 574, "yes" on rollcall vote 575, and "yes" on rollcall vote 576.

PERSONAL EXPLANATION

**HON. SILVESTRE REYES**

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, November 9, 1999*

Mr. REYES. Mr. Speaker, on Friday, November 5, 1999, I was away on official busi-

ness and missed rollcall votes 571, 572, and 573. Had I been present, I would have voted "yes" on the following: Rollcall vote No. 571, the Young Amendment to H.R. 3196; rollcall vote No. 572, final passage of H.R. 3196 (the Foreign Operations Appropriations bill for Fiscal Year 2000); and rollcall vote No. 573, H.R. 3075 (the Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act).

EXPANSION OF IRS SECTION 1032

**HON. RICHARD E. NEAL**

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, November 9, 1999*

Mr. NEAL of Massachusetts. Mr. Speaker, today I am introducing a modest bill which builds on the recommendations of the Department of the Treasury and the New York State Bar Association. This legislation applies section 1032, which was added in 1954 to the Internal Revenue Code, to all derivative contracts. The impact of this change is to prohibit corporations from recognizing gain or loss in derivative transactions to the extent the derivative purchased by the corporation involves its own stock.

Section 1032 states that a corporation generally does not recognize gain or loss on the receipt of money or other property in exchange for its own stock. In addition, a corporation does not recognize gain or loss when it redeems its own stock for cash. Section 1032 as originally enacted simply recognized that there was no true economic gain or loss in these transactions. However, the 1984 Deficit Reduction Act extended this policy to option contracts, recognizing the potential for tax avoidance inherent in these contracts. Since that time the financial industry has developed a number of new types of derivative products. My legislation merely updates current law to include in section 1032 current and future forms of these new types of financial instruments.

On June 16, 1999 the New York State Bar Association issued a report on section 1032 which recommended the changes discussed above. In addition, building on the work of the Treasury Department's budget recommendation, the New York State Bar Association also recommended that Congress require a corporation that retires its stock and "substantially contemporaneously" enters into a contract to sell its stock forward at a fixed price, to recognize as income a time-value element. In effect, these two transactions provide a corporation with income that is economically similar to interest income but is tax-free. This legislation includes a provision that recognizes a time-value element, i.e., the version recommended by the Bar Association. The effective date of this legislation is for transactions entered into after date of enactment.

The problem identified in 1984, and in 1999 by the Department of the Treasury, is best described in the New York State Bar Association Report. The report states:

We are concerned that all the inconsistencies described above (both in the general scope of section 1032 and in its treatment of retirements combined with forward sales) present whipsaw and abuse potential; the government faces the risk that income from some transactions will not be recognized even though those transactions are economi-

cally equivalent to taxable transactions. In addition, the government faces the risk that deductions are allowed for losses from transactions that are equivalent in substance to transactions that would produce nontaxable income, or—because taxpayers may take different positions under current law—even in the same form as such transactions. To avoid these inconsistencies, we believe it is necessary to amend section 1032. . . .

Mr. Speaker, I consider the legislation I am introducing today to be a normal house-keeping chore, something the Committee on Ways and Means has done many times in the past and hopefully will do so in the future. As such, I hope it will be seen both in Congress and in the industry as relatively noncontroversial, and that it can be added to an appropriate tax bill in the near future. I do hope, however, that the industries affected will provide written comments on technical changes they believe need to be addressed in this legislation as introduced, especially on the time value of money section of the bill.

RONALD STARKWEATHER SCHOLARSHIP FUND

**HON. THOMAS M. REYNOLDS**

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, November 9, 1999*

Mr. REYNOLDS. Mr. Speaker, I rise today to honor both a community and an individual.

On Wednesday, November 10, 1999, a fund-raising reception will be held in Rochester, New York, to benefit the Ronald Starkweather Scholarship Fund. The scholarship will be awarded to a student at Monroe County Community College, who meets certain academic criteria, and continues their education at a four-year college or university in Monroe County.

The Ronald Starkweather Scholarship Fund will do more than provide financial assistance to local students. It will honor a man who meant so much to our area.

Ron Starkweather passed away last September. He served as a Commissioner of the Monroe County Board of Elections from 1985 until his death. It would be difficult to list all of Ron's associations, activities and contributions to his community, for they could easily fill a volume of this CONGRESSIONAL RECORD.

A graduate of my alma mater, Springfield Griffith Institute, and Roberts Wesleyan College, Ron was active in organizations such as the United Way, Chamber of Commerce and rotary Club. Ron began his professional career as a teacher at SGI and then at the Churchville-Chili High School. At both schools he coached athletics.

Ron served as Chairman of the Monroe County Republican Committee for a decade. As a political and government leader, countless people called upon him for his counsel, leadership and advice.

Ron will be deeply missed by all those who knew him and, like me, were able to call him friend. But through the Ronald Starkweather Scholarship Fund, Ron will live on not just in our hearts, but in the future of our community.